

**MISSOURI PSTIF
FINANCIAL PROJECTION ASSUMPTIONS
PERIOD OF JULY 1, 2008 THROUGH DECEMBER 31, 2020**

The following are the assumptions used in projecting the Missouri Petroleum Storage Tank Insurance Fund Balances for the period of July 1, 2008 through December 31, 2020.

REVENUES:

- Transport Load Fees - The reduction in the fee from \$40/load to \$20/load was effective September 1, 2008, (in FY2009). It is assumed that the fee will remain \$20/load for the remainder of the projection period; no increase or decrease in petroleum usage is assumed.
- \$100 Initial Tank Fees - Assume 230 new tanks participating in fiscal year 2009. FY2010 - assume 970 new tanks participating. FY2011 - assume 1,720 new tanks participating. FY2012 - assume 970 new tanks participating. For FY2013 through FY2021 - assume 230 new tanks participating.
- UST Participation Fees for FY2009 are based on 2,675 policies. The number of policies is projected to remain constant at 2,675 policies for fiscal years 2010 to 2021. The average participation fee per policy for fiscal years 2009 through 2021 is assumed to be \$340, which reflects the current average participation fee. For fiscal years 2009 through 2021, Extended Reporting Period Endorsements are projected at an average participation fee per endorsement of \$362 with 300 projected for fiscal years 2009 through 2021.
- AST Participation Fees for FY2009 are based on 515 policies. The number of policies issued is projected for FY2010 to be 765 policies, for FY2011 to be 1,265 policies, for FY2012 to be 1,515 policies and to remain constant at 1,515 policies for fiscal years 2013 to 2021. The average participation fee per policy for fiscal years 2009 to 2021 is assumed to be \$406, which reflects the current average participation fee. For fiscal years 2009 through 2010, Extended Reporting Period Endorsements are projected at 70 and for fiscal years 2011 through 2021, they are projected at 140, with an average participation fee per endorsement of \$283.
- Interest earnings are assumed at 2.50% for FY2009, 3.00% for FY2010, 3.50% for FY2011, and 4.50% for the remaining fiscal years, applied to the prior year's ending fund balance.

ADMINISTRATIVE EXPENSES:

- Third-party Administrative Expenses are assumed to increase 2% annually for fiscal years 2009 through 2021.
- All other administrative expenses, except training and loss prevention, are based on FY2009 appropriation requests and assumed to increase 3% annually through FY2021. An actuarial study was performed in FY2008 and is assumed biannually thereafter.
- State Government Expense includes the PSTIF's estimated share of expenses for statewide elected officials and legislative operations; costs are assumed to run through FY2021.

CLAIM PAYMENTS:

- **UST Insurance Claims** - As of June 30, 2008, the Fund had 578 open UST Insurance Claims, 51 of which are estimated to be Large Loss Claims and 34 are “tail coverage” claims. Cleanup activities were underway on 411 of these claims as of June 30, 2008. The projections assume the remaining 116 claims will either start cleanup or submit invoices for work previously completed during the period of fiscal years 2009 through 2011.

For each fiscal year 2009 through 2021, it is assumed that 3% of insured UST sites will have or discover a release resulting in a claim.

Projected UST Insurance Claim payments are based on average costs incurred to date and estimated future remediation costs.

The Board offers “tail coverage” to Fund participants. It is assumed 10 claims will be made during extended reporting periods in fiscal years 2009 through 2020, and 5 claims in fiscal year 2021. Projected costs for these claims are based on average costs incurred to date and estimated future remediation costs.

- **UST Remedial Claims** - As of June 30, 2008, the Fund had 656 open UST Remedial Claims, 53 of which are estimated to be Large Loss Claims. Cleanup activities were started on 357 of these claims as of June 30, 2008. The projections assume 75 claims will either start cleanup or submit invoices for work previously completed in fiscal years 2009 and fiscal year 2010, 50 in fiscal year 2011, 23 in fiscal years 2012 and fiscal year 2013.

Projected UST Remedial Claim payments are based on average costs incurred to date and estimated future remediation costs.

The projections assume an additional 192 UST Remedial Claims will be filed in fiscal years 2009 through fiscal year 2021.

- **AST Insurance Claims** – As of June 30, 2008, the Fund had 79 open AST Insurance claims, 13 of which are estimated to be Large Loss Claims and 5 of which were “tail coverage” claims.

For each fiscal year 2009 through 2021, it is assumed that 4% of insured AST sites will have or discover a release resulting in a claim.

Projected AST Insurance Claim payments are based on average costs incurred to date and estimated future remediation costs.

The Board offers “tail coverage” to AST policyholders. It is assumed 7 claims will be made during extended reporting periods in fiscal year 2009 through 2010, and 14 claims in fiscal years 2011 through 2021. Projected costs for these claims are based on average costs incurred to date and estimated future remediation costs.

- **AST Remedial Claims** – As of June 30, 2008, the Fund had 60 open AST Remedial Claims, 6 of which are estimated to be Large Loss Claims.

Projected AST Remedial Claim payments are based on average costs incurred to date and estimated future remediation costs.

The projections estimate an additional 67 AST Remedial claims will be filed in fiscal years 2009 through fiscal year 2021.

- **Large Loss Claims** – As of June 30, 2008, the Fund had 123 open claims with estimated cleanup costs equal to or greater than \$250,000. It is assumed an additional 140 claims will become large loss claims during fiscal years 2009 through 2021.
- **Fund's Sunset Date** – It is assumed the “sunset date” is extended to 12/31/20 and that the Fund will have a liability after that date to continue paying for claims filed prior to that date. No attempt has been made to project these “runoff” claim expenses.